

STATE OF SOUTH CAROLINA

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NOS. 2017-370-E, 2017-305-E, AND 2017-207-E

In Re:)	
)	
Joint Application and Petition of South)	
Carolina Electric & Gas Company and)	
Dominion Energy, Incorporated for)	
Review and Approval of a Proposed)	
Business Combination between SCANA)	
Corporation and Dominion Energy,)	
Incorporated, as May Be Required, and for)	
a Prudency Determination Regarding the)	
Abandonment of the V.C. Summer Units)	
2 & 3 Project and Associated Customer)	
Benefits and Cost Recovery Plan)	
)	COMMENTS OF
)	SOUTH CAROLINA COASTAL
)	CONSERVATION LEAGUE AND
)	SOUTHERN ALLIANCE
)	FOR CLEAN ENERGY ON JOINT
)	PROPOSED SETTLEMENT
)	AGREEMENT
Friends of the Earth and Sierra Club,)	
Complainant/Petitioner v. South Carolina)	
Electric & Gas Company,)	
Defendant/Respondent)	
)	
Request of the Office of Regulatory Staff)	
for Rate Relief to South Carolina Electric)	
& Gas Company's Rates Pursuant to S.C.)	
Code Ann. § 58-27-920)	
)	

Pursuant to the Hearing Officer's October 25, 2018 Directive 2018-153-H, the South Carolina Coastal Conservation League ("CCL") and the Southern Alliance for Clean Energy ("SACE") submit their comments on the proposed settlement agreement ("Settlement") between the Applicants and Transcontinental Gas Pipe Line Company, LLC ("Transco").

In short, while the Settlement is a marked improvement from the status quo, it does not sufficiently protect SCE&G ratepayers from future utility abuse. As is discussed at length in Gregory M. Lander's pre-filed direct testimony, natural gas pipeline capacity contracts are multi-decade, multi-million dollar expenses that utility customers must pay. When a regulated utility's parent holding company has a separate investment in a natural gas pipeline, there exists a recognized risk that the company will exploit the utility's captive customers to maximize shareholder profits. In fact, Dominion Energy has already done so with its Virginia customer base.

In 2014, Dominion Energy proposed the Atlantic Coast Pipeline ("ACP") to travel from West Virginia, through Virginia, to North Carolina. To obtain permission from FERC to build the project, Dominion and its partners presented to FERC executed contracts for use of the ACP's capacity. FERC accepted, without investigation, that these contracts reflected a need in the market for more pipeline. FERC did not, however, look behind those contracts to see whether they actually withstood scrutiny. They do not. Dominion Energy and its pipeline partners have sold roughly 90% of the ACP's capacity, but they have sold it to themselves, with the understanding that they could recover those contract prices from their captive utility customers.

As a result, Dominion Energy will charge its Virginia customers between \$2.5 and \$3 billion more than necessary over the next 20 years to pay for the pipeline, because this is the amount that costs of the pipeline exceed its benefits.¹ This means Dominion's customers receive no benefit. Dominion has never studied whether its utility arm needs

¹ Prefiled Testimony of Gregory M. Lander at 10:16-17.

the ACP capacity it has under contract.² Dominion has never studied whether its utility arm could acquire gas from cheaper sources, such as regasification or liquefied natural gas (“LNG”) storage.³ Dominion has, however, admitted to the Virginia State Corporation Commission that it has every intention of charging its customers the full price of its ACP contract, regardless of whether and how much Dominion actually uses that contract to fuel its power plants.⁴

South Carolinians are no strangers to utilities shifting the risk of multi-billion-dollar investments onto the backs of their captive retail ratepayers. They have already paid more than \$2 billion for a nuclear project that will never generate a single kWh of electricity. Fortunately, the South Carolina General Assembly has removed any legal pathway to repeat that specific mistake again. If the merger with Dominion closes, however, SCE&G and its parent will have an entirely new pathway to exploit their customers.

The proposed Settlement offers some, but not enough, protection against these practices. There must be meaningful opportunity for ratepayers and other stakeholders to intervene and participate in the proceedings described in the Settlement.

Paragraph 1 of the Settlement establishes an RFP requirement, but it offers no opportunity for stakeholders to assess and comment on the RFP or the responses to it.

² *Virginia Electric and Power Company's Integrated Resource Plan filing pursuant to Va. Code § 56-597 et seq.*, Case No. PUR-2017-00051, Dominion Response to Environmental Respondents' Sixth Set of Interrogatories, attached as Exhibit A.

³ Testimony of Glenn A. Kelly, *Virginia Electric and Power Company's Integrated Resource Plan filing pursuant to Va. Code § 56-597 et seq.*, Case No. PUR-2018-00065, Hearing Transcript at 216:10-18 (available at <http://www.scc.virginia.gov/docketsearch/DOCS/4bxy01!.PDF>).

⁴ *Virginia Electric and Power Company - To revise its fuel factor pursuant to Va. Code § 56-249.6*, Case No. PUR-2017-00058, Dominion Responses to Environmental Respondents' Second Set of Interrogatories, attached as Exhibit B.

The Commission should amend Paragraph 1 of the Settlement to expressly provide stakeholders such an opportunity.

Paragraph 2 of the Settlement prohibits SCE&G from contracting “with an interstate pipeline for additional natural gas transmission capacity of 100,000 dekatherms per day (dt/d) or more unless the interstate pipeline is the least cost provider of such capacity or unless the Commission has approved the contract for such additional capacity.” The Commission should amend Paragraph 2 in two ways. First, Paragraph 2 assumes some Commission process to “approve the contract,” but provides no details for how the Commission will do so. Any Commission proceeding to “approve” a contract for additional capacity should allow any interested party the opportunity to intervene and present evidence on: (i) whether the utility needs new capacity, (ii) alternatives to new pipeline capacity, and (iii) the potential ratepayer costs of new pipeline capacity and alternatives. Second, Paragraph 2 assumes that SCE&G can sign a new capacity contract if “the interstate pipeline is the least cost provider of such capacity,” even if the Commission has not made such a ruling. Again, if SCE&G wants to acquire new pipeline capacity, SCE&G must be required to prove, in a fully-litigated proceeding, that it: (i) has additional fuel needs, (ii) that it has evaluated all alternatives, including alternatives other than new pipeline capacity such as storage and LNG regasification, and (iii) that the new pipeline capacity is the lowest cost option. In either case, ratepayers must have an opportunity to participate. Otherwise, SCE&G and Dominion may enter into self-dealing contracts to impose hundreds of millions of dollars in unnecessary costs on their customers, all which would simply boost returns for shareholders of Dominion (an entity out of reach by this Commission).

South Carolinians have already borne the brunt of utility practices that treat a utility's captive ratepayers as "cash cows" to generate earnings for shareholders. If the Commission amends the Settlement consistent with these recommendations, CCL and SACE can withdraw Mr. Landers' direct and surrebutal testimony and Mr. Lander need not take the stand as the Commission will have already provided the requested relief. This Commission can and should put in place adequate ratepayer protections to minimize any further mistreatment.

Respectfully submitted this 29th day of October, 2018.

/s/ William C. Cleveland, IV

William C. Cleveland, IV (SC Bar No. 79051)
Southern Environmental Law Center
201 West Main St., Ste.14
Charlottesville, VA 22902-5065
Telephone: (434) 977-4090
wcleveland@selcva.org

J. Blanding Holman, IV (SC Bar No. 72260)
Elizabeth Jones (SC Bar No. 102748)
Southern Environmental Law Center
463 King Street, Suite B
Charleston, SC 29403
Telephone: (843) 720-5270
bholman@selcsc.org
ejones@selcsc.org


Gudrun Thompson (admitted *pro hac vice*)
Southern Environmental Law Center
601 W Rosemary Street, Suite 220
Chapel Hill, NC 27516
Telephone: (919) 967-1450
gthompson@selcnc.org

*Attorneys for South Carolina Coastal
Conservation League and
Southern Alliance for Clean Energy*

Exhibit A

Virginia Electric and Power Company
Case No. PUR-2017-00051
Environmental Respondents
Sixth Set

The following response to Question No. 20 of the Sixth Set of Interrogatories and Requests for Production of Documents Propounded by the Environmental Respondents received on July 25, 2017 has been prepared under my supervision.


Ted Fasca
Advisor - Generation System Planning
Virginia Electric and Power Company

Question No. 20

Reference the Company's response to ER Set 2-33.

- a) Has the Company performed an analysis in this IRP of whether it can meet its service obligations without using natural gas from the Atlantic Coast Pipeline (regardless of whether the Company's generating assets perform at the same capacity factors as those identified in this year's IRP)?
- b) If not, please explain why.
- c) If so, please provide that analysis.
- d) Does the Company contend that it cannot meet its service obligations without the Atlantic Coast Pipeline?
- e) Does the Company contend that it can meet its service obligations without the Atlantic Coast Pipeline but only by increasing costs to its customers?

Response:

(a)–(c) No, the Company did not perform such an analysis for purposes of this or any prior Plan analysis. The Company's objective in the 2017 Plan is to identify a mix of resources necessary to meet its customers' projected energy and capacity needs in an efficient and reliable manner at the lowest reasonable cost, while considering future uncertainties. The Company's options for meeting these future needs are: i) supply-side resources, ii) demand-side resources, and iii) market purchases. A balanced approach, which includes the consideration of options for maintaining and enhancing rate stability, energy independence, economic development, as well as input from stakeholders, will help the Company meet growing demand while protecting customers from a variety of potential negative impacts and challenges.

(d)-(e) The Company objects to this request as not relevant or reasonably calculated to lead to the production of admissible evidence in this Integrated Resource Plan proceeding on the grounds that the availability and/or development of additional interstate natural gas pipeline capacity resources is not the subject of the Plan, as discussed in the response to subparts (a)-(c) above. Notwithstanding and subject to the foregoing objections, the Company provides the following response.

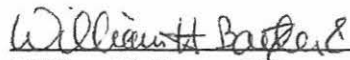
Natural gas is largely delivered on a just-in-time basis. Current interruptions on any single pipeline are manageable, but as the Company and the electric industry shift to a heavier reliance on natural gas, additional actions, including securing additional firm natural gas pipeline transportation service, are needed to ensure future system reliability and rate stability for customers.

ACP is a geographically diverse pipeline that will provide access to competitively-priced, domestic natural gas supply and will deliver those supplies to strategic points in the Company's service territory. After ACP is completed, it will provide access to natural gas supply basin (Marcellus and Utica) trading hubs such as South Point which historically have exhibited lower price and price volatility than trading hubs in Virginia (see 2017 Plan pages 133-135). The incremental capacity provided by ACP will support a portion of the natural gas needs for the Company's existing power generation with enhanced fueling flexibility and reliability. ACP will also allow for future, lower-cost pipeline capacity expansions with limited environmental impact.

Exhibit B

Virginia Electric and Power Company
Case No. PUR-2017-00058
Environmental Respondents
Second Set

The following objections and response to Question No. 2-18 of the Second Set of Interrogatories and Requests for Production of Documents propounded by the Environmental Respondents received on June 8, 2017 have been prepared under my supervision as they relate to legal matters.



William H. Baxter II
Senior Counsel
Dominion Energy Services, Inc.

Question No. 2-18

Reference the Company's response to VCFUR Set 2-2, which states that "The Company purchases firm transportation capacity to ensure that a reliable supply of natural gas is available at all times, in order to provide reliable electrical service to its customers. Therefore, the fixed gas expenses are not dependent on the amount of gas used or the amount of electricity produced at the Company's gas-fired generation units."

- a) Please explain whether the Company recovers the costs of these firm transportation contracts from its jurisdictional customers regardless of "the amount of gas used or the amount of electricity produced at the Company's gas-fired generation units."
- b) Please quantify the annual cost VPSE will incur for the firm transportation services it has contracted for on the Atlantic Coast Pipeline.
- c) If no DEV-owned asset consumes gas sourced from the Atlantic Coast Pipeline, and if VPSE is unable to release or resell 100% of its reserved Atlantic Coast Pipeline capacity, please explain whether VPSE will charge DEV for the unused, unreleased capacity.

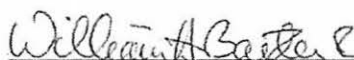
Response:

The Company objects to subparts (b-c) of this request as not relevant to the subject matter involved in this proceeding and not reasonably calculated to lead to the discovery of admissible evidence in this case. No costs associated with the Atlantic Coast Pipeline have been requested for recovery from customers through the Company's fuel factor in this proceeding. Subject to and notwithstanding these objections, the following response applies:

- (a) See the response to Question No. 2-11 of this set.

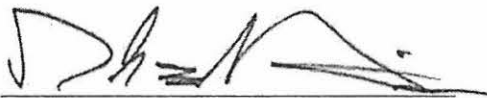
Virginia Electric and Power Company
Case No. PUR-2017-00058
Environmental Respondents
Second Set

The following response to Question No. 2-1 of the Second Set of Interrogatories and Requests for Production of Documents propounded by the Environmental Respondents received on June 8, 2017 has been prepared under my supervision as it relates to legal matters.



William H. Baxter II
 Senior Counsel
 Dominion Energy Services, Inc.

The following response to Question No. 2-1 of the Second Set of Interrogatories and Requests for Production of Documents propounded by the Environmental Respondents received on June 8, 2017 has been prepared under my supervision as it relates to the Transco/Brunswick contract referenced in this request.



Dale E. Hinson
 Manager, Gas Supply
 Dominion Energy Fuel Services, Inc.

Question No. 2-1

Please describe how Virginia Power Services, Inc. ("VPSE") recovers the costs for Firm Transportation Services pursuant to its various precedent agreements. Since the Transco/Brunswick contract is a firm transportation agreement, explain whether VPSE pays the recourse rate regardless of whether VPSE or the Company actually uses that capacity. Is the entire cost of this Transco/Brunswick contract billed to Dominion Energy Virginia (DEV) or is only the prorated portion billed that corresponds to DEV's actual gas consumption?

Response:

Under the affiliate fuel procurement structure most recently approved by the Commission in Case No. PUE-2014-00062, Virginia Power Services Energy Corp., Inc. ("VPSE") is the entity that contracts with third-parties for firm transportation services. Under the Fuel Management Agreement most recently approved by the Commission in Case No. PUE-2014-00062, the Company pays VPSE for the actual costs that VPSE incurs in providing fuel procurement and related risk management services. These costs are fully reviewed by the Commission and the

Commission Staff ("Staff") for reasonableness and prudence in the Company's annual fuel factor case pursuant to Va. Code § 56-249.6.

Regarding the Transco/Brunswick contract referenced in this request, the entire amount is paid regardless of usage based on the negotiated rate according to the terms of the contract. As noted in the response to Question No. 9 of VCFUR's Second Set, the Company can release excess firm pipeline transportation capacity, with such releases credited to customers in the Company's fuel factor and subject to true-up. As indicated in the preceding paragraph, this amount would be billed to the Company and reviewed by the Commission and the Staff in a fuel factor proceeding where the Company's proposed fuel rate included this amount.